

# The Tatarstan investment appeal.

## PwC Russia independent survey

### Why Tatarstan?

Investors gave the following reasons for choosing Tatarstan:

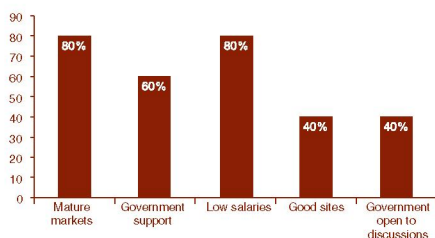
- (1-2) Mature sales markets; several cities with populations greater than one million equidistant from one another; significant growth in consumption is expected (over 80% of investors);
- (1-2) Government support of large projects; relatively simple bureaucratic procedures (about 60% of investors);
- (3) Low salaries in the region (about 80% of investors);
- (4) Convenient and well-equipped sites for doing business: Alabuga Special Economic Zone, business incubators (over 40% of investors);
- (5) Readiness of the government to openly discuss investment opportunities, settle related issues, come through on its promises and respond to feedback; many gave the relatively quick issue of permissions for construction work as an example (about 40% of investors).

### Benefits of doing business in Tatarstan

The main benefits of doing business in Tatarstan described by investors are as follows:

- (1) Relatively little red tape (compared to other regions), no significant problems with registering a business or gaining licences, permissions and approvals from local authorities (90% of investors);
- (2) Relatively well-developed infrastructure in comparison with other Russian regions (50% of investors);
- (3) Image and history of the region; highly developed industry in such sectors as petrochemicals, engineering and construction; growing sales market, e.g. automotive and construction (50% of investors);
- (4) Preferences for Alabuga Special Economic Zone residents: tax (special economic zone regime), customs (free customs zone regime) and commercial (cost of land, office space) (45% of investors);
- (5) Open dialogue with the government; some investors commented on how well e-government works (20% of investors).

### Why Tatarstan?



*“The company didn’t encounter any challenges when it was arranging its business in Tatarstan. We didn’t expect everything to go through so quickly.”*

*“Tatarstan is a predictable and transparent partner.”*

Many investors mentioned tax incentives as one of the benefits of doing business in Tatarstan. These apply to companies implementing investment projects under the Law “On Investment Activity” (about 60% of investors).

### Challenges of doing business in Tatarstan

In general, according to investors, there are no major challenges when doing business in Tatarstan. They believe that today’s issues related to federal matters, the level of infrastructure development, and employees’ educational background and professional knowledge will be settled in the near future, though some of them will require changes in the system.

Of the fundamental challenges of doing business in Tatarstan, the following were mentioned most frequently:

- (1) Educational profile: insufficient number of professionals in certain fields, low level of English, unproductive labour (over 60% of investors).
- (2) High cost of heat and water supplies; unpredictable electricity fees; limited access to gas supplies (about 60% of investors).
- (3) No satisfactory promotion of the region in Europe; the world knows very little about Tatarstan (about 30% of investors).
- (4) Kazan is much better developed than other areas of Tatarstan; this especially refers to Tatarstan’s social infrastructure and transportation in general (about 30% of investors).

### Innovative development and support of innovations on regional government’s part

According to investors, the Tatarstan Government has displayed a great deal of interest in the republic’s innovative development. Many investors spoke about the wide range activities and initiatives the government has proposed or is involved in, for example, the development of technology parks and business incubators, ventures events, business idea competitions and the development of federal research centres. The infrastructure for innovative development has already been created, and certain companies are considered innovative in their respective sectors (polymer production, pharma, automated control systems).

At the same time, many investors expressed their desire to see expanded support for innovations. They mentioned an extra set of measures that would include tax initiatives to foster innovation; special attention was paid to R&D subsidies/R&D loan subsidies.

*“Among all the regions where the company operates, Tatarstan is the leader in terms of innovative development”.*

## Outlook for developing business in Tatarstan, and government priorities

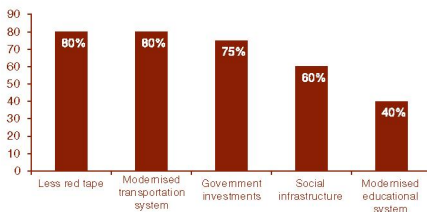
The region's investment climate has been rated 4 and 5 out of 5 by investors. Those who gave it a 4 supported their choice by saying that a rating of 5 would have meant there were no challenges at all.

About 70% of investors mentioned that Tatarstan has paid more attention to investment-related matters over the last three to five years and that the investment climate (infrastructure, investment comfort) has significantly improved.

Investors would like to see the following among the Tatarstan Government's priorities for the coming years:

- (1) Continued reduction of red tape; full transition to a "one-stop" system (80% of investors).
- (2) Increased return on state investments, including continued privatisation; a new form of government involvement in supporting business; more efficient work on investment projects (75% of investors).
- (3) A modernised educational system and increased labour productivity (40% of investors).
- (4) An upgraded transportation system (80% of investors).
- (5) Continued development of social infrastructure (60% of investors).

## Tatarstan development priorities as seen by investors



Investors would like to have a clear short-term and mid-term government plan based on the above priorities. All investors believe the outlook for developing their businesses in Tatarstan is positive and plan to expand them if the sales market shows a trend toward growth.

PwC Russia carried out this survey in April 2011.

